

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Alpine School District, UT's Lease Revenue Bonds, Series 2018

Global Credit Research - 23 Feb 2018

New York, February 23, 2018 -- Moody's Investors Service has assigned a Aa2 rating to Alpine School District's (UT) Local Building Authority of Alpine School District's \$20.0 million Lease Revenue Bonds, Series 2018. Moody's maintains Aa1 underlying ratings on the district's outstanding general obligation bonds. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating is one notch lower than the district's Aa1 GO rating and reflects a standard legal structure that includes a pledge of base rental payments and subject to annual appropriation. The Aa2 lease revenue rating reflects the "more essential" nature of the leased asset (an elementary school).

The Aa1 underlying rating reflects the district's large tax base that continues to grow at a rapid pace and a local economy that demonstrated solid employment expansion as well as satisfactory and improving wealth measures. The rating also considers the district's trend of strong and structurally balanced financial operations, strong reserve levels, and manageable debt, pension and OPEB liabilities.

RATING OUTLOOK

The stable outlook reflects our expectation that the district's tax base will continue to see healthy expansion and that the district will prudently manage its capital needs to accommodate rapid enrollment growth. In addition, we view the district's solid level of financial flexibility combined with a conservative and proactive leadership team positions it well to prudently balance growth and stable financial performance.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Improvement in the district's financial position resulting in reserves more comparable to the Aaa-national peers
- Improvements in socioeconomic profile to levels more comparable to Aaa-national peers

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Protracted decline in the district's full valuation
- Deterioration in the district's financial position

LEGAL SECURITY

The bonds are secured by a pledge by the district to make base rental payments sufficient to pay principal and interest, subject to annual appropriation. The lease is governed by a master lease agreement between the Local Building Authority of Alpine School District as lessor, the Board of Education of the Alpine School District as lessee, and the trustee.

USE OF PROCEEDS

Bond proceeds will be used for the acquisition and construction of an elementary school.

PROFILE

The district, headquartered in American Fork, covers the northern half (approximately 724 square miles) of Utah County. Its boundaries run from the Salt Lake County line on the north to the Provo City School District and Nebo School District boundaries on the south and from Tooele County on the west to Wasatch County on the east.

The district operates 86 schools with 57 elementary schools, 12 junior high schools, 9 traditional high schools and 8 special purpose facilities.

METHODOLOGY

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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